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RUCPDO/DEPT OF COMMERCE WASHDC  
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SUBJECT: Bio-fuel Plant Taking Root on Guangxi's Coast

REF: GUANGZHOU 707

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¶1. (SBU) Summary: Guangxi is expanding its use of bio-fuels and COFCO Bio-Energy, in the city of Beihai, is playing a key role. The firm uses cassava root to produce ethanol that is sold in gas stations throughout the autonomous region. In addition, it uses the plant's solid waste and methane produced from waste water for fuel. Sinopec is one of the firm's two customers and also owns a 15% stake in the project. However, the firm is still not profitable and receives subsidies from the government, according to the plant manager. End summary.

¶2. (SBU) Guangxi Zhuang Autonomous Region is diversifying its energy mix with a bio-fuels plant in the coastal city of Beihai. The Guangxi COFCO Bio-Energy Co. Ltd. plant has been operational since ¶2008. It uses cassava to produce ethanol to be mixed with gasoline. The cassava root is smashed and liquidized before it is fermented to produce ethanol distilled to a purity of 99.5%.

Waste Not  
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¶3. (SBU) Guangxi COFCO General Manager Liu Shuhai pointed out to the Consul General on his recent visit that the plant's waste water is also bio-processed to reduce environmental impact. The methane byproduct of the waste treatment is used for power generation. Liu also explained that the solid waste is dried and used as fuel. He noted that coal available in Guangxi is low-quality brown coal. The cassava solid waste fuel supplies about the same amount of heat as brown coal but emits no sulfur dioxide, Liu said. The firm is also researching the option of converting the cassava solid waste into fertilizer.

COFCO-Sinopec Partnership  
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¶4. (SBU) Guangxi COFCO Bio-Energy is a subsidiary of China National Cereals, Oil and Foodstuff Corporation (COFCO), the country's largest food processor and trader. The management and technicians at the Guangxi plant are assigned by COFCO headquarters, Liu said. About 70% of the firm's employees are local Guangxi residents.

15. (SBU) Sinopec and Petrochina purchase all of the ethanol output of the plant, which is sold in gas stations throughout Guangxi, according to Liu. Sinopec and Petrochina control 80% and 8-9% of gas stations in Guangxi, respectively. Nearly all of Guangxi's gas stations sell a gasoline mix that is approximately 10% ethanol. Sinopec also owns a 15% stake in the Guangxi COFCO plant.

Still Not Profitable

16. (SBU) Liu pointed out that Guangxi is a major producer of cassava with an annual output of about seven million tons; Beihai accounts for about 1.5 million tons. However, Guangxi COFCO still needs to purchase cassava from sources outside the autonomous region. Liu said the firm was working with government, enterprises, financial institutions, research institutes, and farmers to develop secure supplies within Guangxi. The company currently signs long-term procurement contracts with large farming units. The government sets a minimum price for the cassava, and COFCO also tries to help farmers increase their income by providing seeds and technical assistance to increase output. Liu acknowledged that the firm was not yet profitable and that the model needed work, noting that the firm still received subsidies from the government for its ethanol production.

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